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A. INTRODUCTION TO CODING STRUCTURE

A.01 CODING STRUCTURE

The purpose of this section is to provide the reader with an overview of the required coding structure; the graphic display and definitions which follow should be used for that purpose.

The coding structure is consistent with “Financial Accounting for Local and State School Systems”, which is the successor to Handbook II and is published by the National Center for Education Statistics, June, 1980. Recommendations made in this section are those necessary to satisfy state and federal information requirements. Each district should review local needs before additional elements of the coding structure are added. The accounting system designed should accommodate the planning, budgeting, evaluating, and analysis functions of the system and should be cross-referenced to other information files of that system.

A.02 CODING DIMENSIONS - DEFINITIONS

DIMENSION - Block of related digits.

FUND - An independent fiscal and accounting entity, preferably with a self-balancing set of accounts, with its own assets. Liabilities, resources, and fund balances which are segregated for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations (one position).

MAJOR CLASS - The basic account identifier for recording transactions involving assets, liabilities, fund balance and revenues (three positions).

SUFFIX - Additional information which may be desired to further define balance sheet accounts and restricted revenue funds (four positions).

FUNCTION - The action a person takes or the purpose for which a thing exists or is used. Function includes the activities or actions which are performed to accomplish the objectives of an enterprise (three positions).

OBJECT - The service or commodity obtained as the result of a specific activity (four positions), object codes are comprised of:

- Activity - The kinds of work staff members perform.
- Suffix - The kinds of services and commodities purchased that further define the object code.

PROGRAM - A plan of activities and procedures designed to accomplish a predetermined objective or set of allied objectives (three positions).

STATE CODE - Identifies the various categorical programs which are under special reporting requirements (three positions).

YEAR - Identifies the fiscal year for which categorical aid must be reported (one position).

FACILITY - A physical place, most generally a school building, or a building housing a service organization of the district (four positions).

OTHER - A dimension available to further define a school district's activities; i.e., subject matter, special cost center, etc. (four positions).

A.03 GENERAL APPLICATION TO ALL FUNDS

a) FIRST DIMENSION - (TWO POSITIONS) - FUND AND ACCOUNT CLASS

(1) FIRST POSITION OF TWO -- FUND

1	General Fund
2	*Special Education Fund
3	Debt Retirement Fund
4	Capital Projects Fund
5	School Service Funds
6	*Area Vocational Technical Fund Education Fund
7	Trust and Agency Funds
8	General Fixed Asset Account Group
9	General Long-Term Debt Account Group
0	*Cooperative Education Fund

*These funds are used only by intermediate school districts.

(2) SECOND POSITION OF TWO - ACCOUNT CLASS

0	Revenue Accounts
1	Expenditure Accounts
2	Balance Sheet Accounts

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CODING DIMENSIONS
Applicable to all Funds

BALANCE SHEET

		<— ACCOUNT NUMBER—>									
FUND		MAJOR CLASS		SUFFIX							
<—>		<—>		<—>		<— NOT USED —>					
XX	-	XXX	-	XXXX	-	XXXX	-	XXXX	-	XXXX	- XXXX
1		2		3							

DIMENSIONS

REVENUES

		<—ACCOUNT NUMBER—>									
FUND		MAJOR CLASS		SUFFIX							
<—>		<—>		<—>		<— NOT USED —>					
XX	-	XXX	-	XXXX	-	XXXX	-	XXXX	-	XXXX	- XXXX
1		2		3							

DIMENSIONS

EXPENDITURES

		<div>←ACCOUNT NUMBER→</div>										
FUND		FUNCTION		OBJECT		PROGRAM		STATE CODE		FACILITY		OTHER
↔		↔		↔		↔		↔		↔		↔
XX	-	XXX	-	XXXX	-	XXXX	-	XXXX	-	XXXX	-	XXXX
1		2		3		4		5		6		7

DIMENSIONS

B. EXAMPLES OF GENERAL ACCOUNTING ENTRIES**B.01 INTRODUCTION - ACCOUNTING ENTRIES**

The diverse nature of school operations and the necessity of determining legal compliance requires that accounts be organized on the basis of funds. Each fund must be accounted for as an independent entity. This is accomplished by providing a complete, self-balancing set of accounts for each fund which shows its assets, liabilities, reserves, fund balances, revenues and expenditures.

In addition to its own financial transactions of an internal nature (i.e., payrolls) and external nature (i.e., purchases), each fund may have financial transactions with other funds in the same school unit. Since each fund is a separate entity, the amounts due it from other funds as well as the amounts it owes to them must be reflected in the accounts and financial statements. Interfund receivables and payables may result from services rendered by one fund for another, from interfund loans, or out of transfers from the General Fund to another fund.

Specific examples of Recording of Transactions are illustrated in this chapter:

- Opening the General Ledger
- Recording the Budget
- Recording Encumbrances
- Closing the General Ledger
- Special Accounting Entries
- Long Term Debt Transactions
- General Fixed Assets

B.02 OPENING THE GENERAL LEDGER

The General Ledger is opened by recording the assets and liabilities of the fund at the beginning of the accounting period. Excess of assets over liabilities results in a fund balance, and an excess of liabilities over assets results in a fund deficit.

The assets and liabilities used will conform to the classifications as found in the summary of accounting in Appendices I and II of this manual.

The following is an example of this transaction for various funds:

GENERAL FUND:

12-101-0000	Cash in Bank	\$ 20,021
12-110-0000	Taxes Receivable	1,369,186
12-120-0000	Accounts Receivable	98,290
12-130-0000	Due from--Other Funds	76,185
12-170-0000	Inventory	175,280
12-180-0000	Investments	8,400,000
12-192-0000	Prepaid Expenses	67,540
12-402-0000	Accounts Payable	\$ 19,076
12-404-0000	Contracts Payable	12,000
12-410-0000	Due to--Other Funds	103,215
12-450-0000	Payroll Deductions	480,951
12-462-0000	Salaries Payable	1,145,210
12-474-0000	Deferred Revenue	356,810
12-704-0000	Fund Balance	8,089,240

To record opening balances of the General Fund.

DEBT RETIREMENT FUND:

32-101-0000	Cash in Banks	\$ 1,075
32-110-0000	Taxes Receivable	13,118
32-162-0000	Interest Receivable	2,334
32-180-0000	Investments	265,750
32-704-0000	Fund Balance	\$282,277

To record opening balances of the Debt Retirement Fund.

B.03 RECORDING THE BUDGET

The initial step in accounting for the General Fund is to record the budget as adopted by the local Board of Education. Recording of the budget in this example is accomplished by debits to Estimated Revenues and Fund Balance and a credit to Appropriations in the general ledger. The following are examples of these transactions for the General Fund:

12-301-0000	Estimated Revenues	\$26,243,409
12-704-0000	Fund Balance	135,311
12-601-000	Appropriations	\$26,378,720

To record adoption of the budget in the general ledger control accounts. This assures the budget has been balanced by an appropriation from Fund Balance.

Postings to the subsidiary ledger accounts would be as follows:

Estimated Revenue from Local Sources	\$23,859,472
Estimated Revenue from Intermediate Sources	328,315
Estimated Revenue from State Sources	1,395,311
Estimated Revenue from Federal Sources	100,000
Estimated Incoming Transfers and Other Transactions	560,311
Appropriations - Instruction	\$21,385,172
Appropriations - Supporting Services	3,417,166
Appropriations - Community Services	1,576,382

B.04 RECORDING ENCUMBRANCES

Proper budgetary control of General Fund operations requires the use of an encumbrance system. Under such a system, a formal entry is made when purchase orders or other commitments are made to reserve a portion of the applicable appropriation and hereby lessen the chance of over expenditure of the appropriation.

For example, when purchase orders and other expenditure commitments are approved, necessary amounts of appropriations are reserved for eventual payment by use of encumbrance accounts. This is accomplished by a debit to Encumbrances and a credit to Reserve for Encumbrances for the amount of the purchase order or other commitment. When the invoices for goods or services are received at a later date, the encumbrance entry is reversed for the original amount and the actual amount of the expenditure is recorded in the expense accounts by a debit to Expenditures and a credit to Accounts payable or Cash.

See discussion in Section IV-C regarding alternative approaches that may be taken in recording encumbrances.

12-603-0000	Encumbrances	\$25,112
12-701-0000	Reserve for Encumbrances	\$25,112

To record current period encumbrances for purchase orders and contracts.

12-701-0000	Reserve for Encumbrances	\$25,112
12-603-0000	Encumbrances	\$25,112

To record liquidation of encumbrances upon receipt of invoices.

11-100-0000	Instruction	\$18,720
12-402-0000	Accounts Payable	\$18,720

To record payables upon receipt of invoices.

B.05 CLOSING THE GENERAL LEDGER

- At the end of each fiscal period, the budgetary and operating accounts of the General Fund are closed. The entry to record closing of revenues and expenditures is as follows:

10-000-0000	Revenues	\$26,264,302
12-700-0000	Fund Balance	46,470
11-000-0000	Expenditures	\$26,310,772
To close actual revenues and expenditures to fund balance.		

- To close the budget, the following entry is required:

12-601-0000	Appropriations	\$26,378,720
12-704-0000	Fund Balance	\$ 135,311
12-301-0000	Estimated Revenues	26,243,409
To close budget to fund balance.		

C. SPECIAL ACCOUNTING ENTRIES - EXAMPLES**C.01 REVENUES AND TAX LEVIES**

Transactions are recorded in the books of original entry as follows:

- Revenues will generally be recorded as receivables when taxes are levied, billings are made, or claims filed with outside parties. When no receivable has been recorded, revenue will be recorded when the cash is received. Recording of tax revenues will be made at the time of levy when a debit will be made to the account Taxes Receivable and a credit to Property Tax Levy.

12-110-000	Taxes Receivable	\$23,959,422
10-111-0000	Property Tax Levy	\$23,959,422

To record tax levy.

- Recording of revenues which arise from billings made to, or claims filed with, outside parties should be recorded as accounts receivable when billed with the credit to a revenue account.

12-120-0000	Accounts Receivable	\$48,000
10-312-0000	Grants in Aid - Restricted	\$48,000

To record claim filed for Driver Education.

- Revenues not previously recorded as receivable should be recorded as the cash is collected.

12-101-0000	Cash	\$48,000
10-312-0000	Grants in Aid - Restricted	\$48,000

To record collection of Driver Education funds.

- In this example, the collection of property taxes, and cash from other sources during the course of a fiscal year are recorded as follows:

12-101-0000	Cash	\$180,040
10-100-0000	Local Revenues	\$ 14,873
12-110-0000	Taxes Receivable	155,000
12-120-0000	Accounts Receivable	10,167
To record cash received.		

- Expenditures are recorded on a cash or accrual basis as follows:

- 1) Recording of transactions in the General Fund for goods and services which have not been previously recorded as a payable or encumbrance.

11-111-0000	Elementary Expenditures	\$12,187
12-170-0000	Inventory	3,120
12-192-0000	Prepaid Expenses	6,710
12-101-0000	Cash	\$22,017
To record cash disbursed.		

- 2) Non-cash entries would be made in the General Fund to set up accounts payable:

11-111-5100	Elementary Expenditures	\$17,846
12-170-0000	Inventory	2,860
12-192-0000	Prepaid Expenses	7,644
12-402-0000	Accounts Payable	\$28,350
To record payables.		

- 3) Recording of expenditure transactions in the General Fund where the liability was previously recorded.

12-402-0000	Accounts Payable	\$ 21,165
12-462-0000	Salaries Payable	761,175
12-410-0000	Due to--Other Funds	13,216
12-101-0000	Cash in Bank	\$795,556
To record disbursements for the period.		

C.02 SCHOOL BUS PURCHASES

The following entries illustrate the proper transactions for the purchase, financing and disposal of school buses.

a) PURCHASE OF A NEW (OR REMANUFACTURED) SCHOOL BUS - CASH:

(1) General Fund

11-271-6610	School Bus Purchases	\$30,000	
12-101-0000	Cash		\$30,000
To record the cash purchase of a bus.			

(2) General Fixed Asset Account Group

82-260-0000	School Buses	\$30,000	
82-795-0000	Investment in General Fixed Assets		\$30,000
To add a new bus to the asset inventory.			

b) PURCHASE OF A NEW (OR REMANUFACTURED) SCHOOL BUS FINANCED BY CONDITIONAL SALES AGREEMENT:

(1) General Fund

11-271-6610	School Bus Purchases	\$30,000	
10-596-0000	Other Financing Sources		\$30,000
To record purchase of bus on credit.			

(2) General Long Term Debt Account Group

92-305-0000	Amounts to be Provided for Payment of Loans	\$30,000	
92-506-0000	Bus Loans Payable		\$30,000
To set up long term liability.			

(3) General Fixed Asset Account Group

82-260-0000	School Buses	\$30,000	
82-795-0000	Investments in General Fixed Assets		\$30,000
To add a new bus to the fixed asset inventory.			

c) PAYMENT ON SCHOOL BUS LOAN

(1) General Fund

11-259-7200	Interest Expense	\$2,000	
11-496-8960	Payment on Bus Loan	\$5,000	
12-101-0000	Cash		\$7,000
To record payment on bus loan.			

(2) General Long Term Debt Account Group

92-506-0000	Bus Loans Payable	\$5,000	
92-305-0000	Amounts to be Provided		
	For Payment of Loans	\$5,000	
To reduce long term liability account as a result of bus payment.			

d) SALE OF USED SCHOOL BUS:

(1) General Fund

12-101-0000	Cash	\$5,000	
11-271-6610	School Bus Purchases	\$5,000	
To record sale of a school bus.			

(2) General Fixed Asset Account Group

82-795-0000	Investments in General		
	Fixed Assets	\$28,000	
82-260-0000	School Buses	\$28,000	
To remove original cost of school bus sold.			

NOTE: The trade-in of a used school bus for a new bus would simply be recorded in School Bus Purchases as the net cost of the new bus.

e) **OPENING JOURNAL ENTRY 7/01/88:**

(1) General Fund Balance Sheet

12-404-0000	Contracts Payable (if any)	\$180,000
11-490-8980	Prior Year Adjustment	
	(Other Transactions)	\$420,000
12-260-0000	Bus Costs - Net of Amortization	\$600,000

To record the cost of eliminating buses General Fund balance sheet.

(2) General Long term Debt Account Group

92-305-0000	Amount to be Provided for	
	Payment of Loan	\$180,000
92-506-0000	Bus Loans Payable	\$180,000

To record balance of bus notes payable as of July 1, 1988 in Long Term Debt Account Group.

NOTE: The write-off of unamortized bus costs as of July 1, 1988, will result in a reduction of Fund Balance in the General Fund for the school year 1988-89.

C.03 CLAIMS AND JUDGMENTS

The following entries illustrate the proper transactions for recording claims and judgments.

a) GENERAL FUND

Example A

11-499-8950	Claims and Judgments	\$150,000
12-479-0000	Other Liabilities	\$150,000

To accrue discrimination judgment not covered by insurance and payable currently.

Example B

11-499-8950	Claims and Judgments	\$30,000
12-479-0000	Other Liabilities	\$30,000

To accrue loss resulting from discrimination suit payable over five years as follows:

Total payable	\$150,000
Long term portion	<u>120,000</u>
Currently payable	\$ 30,000

b) GENERAL LONG TERM DEBT ACCOUNT GROUP

Example A (above) No entry required

Example B (above)

92-306-0000	Amount to be Provided for Other Obligations	\$120,000
92-505-0000	Other Obligations Payable	\$120,000

To accrue long term portion of discrimination judgment.

C.04 COMPENSATED ABSENCES

The following entries illustrate the proper transactions for recording compensated absences.

a) GENERAL FUND

Entry One - Year One

11-499-8980	Other Transactions -	
	Adjustments for Prior Years	\$30,000
11-000-1000	Various Salary Expenses	\$30,000

To record prior period adjustment for compensated absences not accrued in prior periods.

Entry Two - To Be Made At Year End Closing - Year One

11-000-1000	Various Salary Expenses	\$25,000
12-461-0000	Accrued Expenses	\$25,000

To record current portion of compensated absences and computed as follows:

Total due at year end	\$ 280,000
Less: noncurrent portion	<u>(255,000)</u>
Amount payable currently	\$ 25,000

Entry assumes amounts paid in current year for prior year liability were charged against liabilities.

Entry Three - To Be Made At Year End Closing - Year Two

11-000-1000	Various Salary Expenses	\$28,000
12-461-0000	Accrued Expenses	\$28,000

To record current portion of compensated absences and computed as follows:

Total due at year end	\$ 295,000
Less: noncurrent portion	<u>(267,000)</u>
Amount payable currently	\$ 28,000

b) LONG TERM DEBT ACCOUNT GROUP

Entry One - Year One

92-306-0000	Amount To Be Provided	
	For Other Obligations	\$255,000
92-505-0000	Other Liabilities Payable	\$255,000
To accrue liability for long term portion of compensated absences.		

Entry Two - Year Two

92-306-0000	Amount To Be Provided	
	For Other Obligations	\$12,000
92-505-0000	Other Liabilities Payable	\$12,000
To accrue liability for long term portion of compensated absences as follows:		

Total long term amount due	\$ 267,000
Amount previously recorded	<u>(255,000)</u>
Balance to accrue	\$ 12,000

C.05 ENERGY TRANSACTIONS

Section II - E.12 of this manual provides a narrative of proper accounting for school district energy related transactions. The examples listed below provide guidance to school district accountants in making energy transactions entries.

a) CAPITAL PROJECTS FUND

42-101-0000	Cash	\$165,000
40-591-0000	Sale of Bonds	\$165,000

To record the collection of the energy conservation project note proceeds.

41-499-6900	Capital Outlay	\$150,000
41-499-8900	Other Transactions	15,000
42-101-0000	Cash, Energy Project	\$165,000

To record the expenditure of funds on the 19XX Energy Conservation Project.

b) GENERAL FUND

11-430-8130	Transfer to Debt Retirement	\$33,000
12-101-0000	Cash	\$33,000

To record transfer to the Debt Retirement Fund to cover debt service on the 19XX energy conservation project.

c) DEBT RETIREMENT FUND

32-101-0000	Cash	\$33,000
30-531-0000	Transfer from General Fund	\$33,000

To record transfer from General Fund for repayment of energy notes.

31-499-7210	Interest Expense	\$16,500
31-499-8900	Payment on Principal	16,500
32-101-0000	Cash	\$33,000

To record payment of principal and interest on energy conservation note #1.

d) LONG-TERM DEBT ACCOUNT GROUP

92-305-0000	Amount To Be Provided	
	For Payment of Loans	\$165,000
92-504-0000	Other Loans Payable	\$165,000
To record 10 year 10% energy note. Amount to be paid annually \$16,500 plus interest.		
92-504-0000	Other Loans Payable	\$16,500
92-305-0000	Amounts To Be Provided	
	For Payment of Loans	\$16,500
To record payment #1 on the 10 year 19XX energy note.		

The following entries illustrate the proper transactions for the purchase, financing and disposal of equipment or furniture.

a) PURCHASE OF EQUIPMENT WITH CASH FOR A HIGH SCHOOL CLASSROOM

(1) General Fund

11-113-6410	Equipment-Instruction	\$20,000
12-101-0000	Cash	\$20,000
To record equipment purchase.		

(2) General Fixed Assets Account Group

82-241-0000	Equipment Instruction	\$20,000
82-705-0000	Investment in General Fixed Assets	\$20,000
To record addition of equipment to the fixed asset inventory.		

b) PURCHASE OF HIGH SCHOOL CLASSROOM EQUIPMENT FINANCED BY A LONG TERM NOTE

(1) General Fund

11-113-6410	Equipment Instruction	\$20,000
10-596-0000	Other Financing Sources	\$20,000
To record purchase of equipment.		

(2) General Long Term Debt Account Group

92-305-0000	Amount To Be Provided For Payment of Loans	\$20,000
92-507-0000	Furniture & Equipment Loans Payable	\$20,000
To record long term debt created for purchase of equipment.		

(3) General Fixed Asset Account Group

82-241-0000	Equipment Instruction	\$20,000
82-705-0000	Investment in General	
	Fixed Assets	\$20,000

To record addition of equipment to the fixed asset inventory.

c) PAYMENT ON EQUIPMENT LOANS

(1) General Fund

11-259-7200	Interest Expense	\$2,000
11-496-8965	Payments on Equipment	
	Loans	\$3,000
12-101-0000	Cash	\$5,000

To record periodic payment on equipment loan.

(2) General Long Term Debt Account Group

92-507-0000	Furniture and Equipment	
	Loans Payable	\$3,000
92-305-0000	Amounts To Be Provided	
	For Payment of Loans	\$3,000

To adjust long term loan payment for equipment loan payment.

d) SALE OF USED EQUIPMENT

(1) General Fund

12-101-0000	Cash	\$1,000
10-593-0000	Sale of Fixed Assets	\$1,000

To record sale of equipment.

(2) General Fixed Asset Account Group

82-705-0000	Investment in General	
	Fixed Assets	\$20,000
82-241-0000	Equipment - Instruction	\$20,000

To remove cost of equipment sold.

D. LONG TERM DEBT TRANSACTIONS

Accounting for the amount of unmatured long term indebtedness should be recorded in a separate self-balancing group of accounts called the Long Term Debt Account Group. The purpose of this group of accounts is to report a school district's liability for long term debt at any time from date of issuance until the debt is retired. Whenever general obligation debt is incurred, the liability is usually recorded in the Long Term Debt Account Group as illustrated below:

92-305-0000	Amounts To Be Provided	
	For the Payment of Bonds	\$500,000
92-502-0000	Bonds Payable-Serial	\$500,000
To record new bond issue.		

E. GENERAL FIXED ASSETS TRANSACTIONS

Proper accounting for general fixed assets requires that proper classification of individual assets be made to asset classes. In addition, sub-accounts should be established to accumulate the costs of each class of assets at particular schools and detailed supporting records should be maintained of the cost of each individual asset.

The recommended classes for accounting and statement presentation purposes are as follows:

- Land
- Buildings & Additions
- School Buses
- Improvements Other Than Buildings
- Equipment & Furniture
- Vehicles Other Than Buses
- Library Books

Since the general fixed assets group of accounts is a self-balancing entity, a credit in the form of a fund balance account-Investment Accounts-is established to offset the many asset categories listed above. The fund balance account may be divided to indicate the source of monies with which the assets were acquired. The following entries are for the general fixed assets group of accounts:

82-220-0000	Building and Additions	\$175,000
82-705-0000	Investment in General	
	Fixed Assets - Capital	
	Projects Fund Revenues	\$175,000

To record the purchase of a building, the building was funded out of Capital Projects Fund revenues.

